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The voice of mid-size communications companies

June 29, 2015

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: *Ex Parte* Communication: WC Docket No. 10-90

Dear Ms. Dortch:

Attached for inclusion in the record of the above-captioned proceeding are documents related to the operation of a voluntary, model-based universal service support plan for rate-of-return (RoR) carriers. Attachment A includes a proposed three-track transition mechanism for RoR carriers that would like to participate in the model-based plan but require a glide-path to model-based support. Attachment B includes proposed interim broadband deployment milestones for those carriers choosing to participate in the ten-year model-based plan. Attachment C includes a proposal that would provide for carrier-specific broadband build-out percentage requirements for those carriers participating in the model-based plan.

ITTA is fully committed to the development and implementation of a voluntary plan to permit RoR carriers to participate in the Connect America Fund. We look forward to continuing to work with the Commission to realize this goal by the end of this year.

Please do not hesitate to contact the undersigned with any questions regarding this submission.

Respectfully submitted,

Genevieve Morelli

Genevieve Morelli
President

cc: Commissioner Michael O'Rielly
Carol Mattey
Amy Bender
Rebekah Goodheart
Daniel Alvarez

Attachment A

PROPOSED TRANSITION PLAN FOR GLIDE-PATH CARRIERS

1. **Track 1** – for carriers whose model support is no more than 10% less than their legacy support as of December 31st of the year preceding opt in.
   a. Year 1 – 50% legacy, 50% model support.
   b. Years 2 through 10 – model support.

2. **Track 2** – for carriers whose model support is between 10% and 25% less than their legacy support as of December 31st of the year preceding opt in.
   a. Year 1 through 5 – 20% per year reduction in legacy support.
   b. Years 6 through 10 – model support.

3. **Track 3** – for carriers whose model support is greater than 25% less than their legacy support as of December 31st of the year preceding opt in.
   a. Years 1 through 10 – 10% per year reduction in legacy support until crossover reached.

4. **Safety Ne**t – if in any year a carrier's decrease in support would be more than 5%, the amount above 5% would be added to the carrier's legacy support to maintain the 5% annual cap on support decreases.

Attachment B

Build-Out Milestones for Price Cap Carriers Accepting Statewide CAF II Support

Table 1: Deployment Milestones for Price Cap Carriers Accepting Phase II Model-Based Support

	Current requirement	Revised interim milestones
Year 1		**%
Year 2		**%[86]
Year 3	85% of locations	40% End of 2017
Year 4		60% End of 2018
Year 5	100% of locations	80% End of 2019
Year 6		100% End of 2020

Proposed Build-Out Milestones for Carriers Electing Model-Based Plan

	Build-Out Milestones
Year 1	No milestone; reporting of status
Year 2	No milestone; reporting of status
Year 3	No milestone; reporting of status
Year 4	No milestone; reporting of status
Year 5	40% of company build-out requirement
Year 6	50% of company build-out requirement
Year 7	60% of company build-out requirement
Year 8	70% of company build-out requirement
Year 9	80% of company build-out requirement
Year 10	100%

Companies would be required to meet the build-out obligation by Year 10; however, companies would be considered compliant if they are within 5% of each interim threshold.

Attachment C

Broadband Build-Out Proposal

Objective and Rationale:

The overall objective is to provide a path that would encourage rate-of-return companies to elect model-based support if they could appreciably increase the number of support-eligible locations where 10/1 M capability is available. The number of eligible locations required to be served with 10/1 M capable infrastructure will be less than the total eligible locations because the model is not fully funded and the support for some locations will be capped at a dollar amount[1] yet to be finalized by the Commission.

The eligible locations to which a company must deploy 10/1 M capability should be based on the A-CAM modeled cost characteristics of each company, additional support funding available through CAF reserves, and the current build-out level of the company. Each company electing model support will retain its existing legacy support amount and will receive additional funding through CAF reserves over at least 10 years. The amount of support available for additional broadband deployment is dependent on the amount of CAF reserves available and the number of study areas that voluntarily elect model-based support.

This Deployment Requirement Calculation assumes that all additional CAF reserve funding will be used to deploy 10/1 M capable plant. Because all funding is considered in determining a company's 10/1 M deployment requirement, even funding that is capped, there will not be enough funding to support all locations. Locations that are not fully funded at 10/1 M cost will remain on a reasonable request standard. The industry group considered applying a 10/1 M deployment standard to those locations that have a cost less than the capped amount and a lesser standard to those locations with costs above the capped amount; however, this method was rejected for several reasons. First, the amount of additional support available is unknown,[2] so the funding may be insufficient to provide 10/1 M service without utilizing a portion of the funding from capped locations. Second, the amount of capped support may be inadequate for delivering an alternative technology. Moreover, the A-CAM model does not provide the cost of alternative technologies, so the model cannot be used to establish deployment requirements for other speed levels.

Deployment Requirement Calculation Methodology:

The A-CAM model can be used to estimate where 10/1 M infrastructure exists today and where it likely will be constructed in the future. The calculation method assumes that a company first deploys broadband throughout its lowest cost census block, and then proceeds to its next highest

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[1] Illustrative run 1.3 assumed a cap of $230 per location, although other amounts may be considered by the Commission.

[2] Additional support is dependent on the amount of CAF reserves available and the number of study areas that choose to receive model-based support.

cost census block and so on until all census blocks are served or all available funding is exhausted.[3] The calculation steps are as follows:

1. Determine each company's share of CAF reserves. The company's share of CAF reserves times 43.3 percent is the company's capital build-out obligation.[4]

2. Sort the company's A-CAM census blocks in order of increasing census block cost.

3. If the cost per location of a census block is greater than $52.50 and it is not served by any provider, then the census block is eligible to receive support. For any census block eligible to receive support, calculate its capital expenditure cost, which is equal to 43.3 percent of the census block's total cost that exceeds the benchmark of $52.50. Thus, for $Census\ Block_i$:
$$Support\ Used\ in\ Census\ Block_i = Capital\ Expenditure\ Cost_i$$
$$= 0.433 \times Number\ of\ Subscribers_i \times (Cost\ per\ Subscriber_i - \$52.50)$$
Since A-CAM provides the number of eligible locations in each census block, it is now known how much capital build-out obligation is necessary to serve the eligible locations in this census block.

4. Starting with the lowest cost eligible census block, sum the capital build-out obligation and the number of locations for each eligible census block until the company's entire aforementioned capital build-out obligation has been used.

5. The company must deploy infrastructure to 95 percent of the number of eligible locations receiving support, as determined in step 4.

This calculation must be performed on a company-by-company basis because each company's cost curve is different and the cost of the yet to be upgraded locations is dependent on how much broadband deployment has already been undertaken by the company. Since this process is done on a company-by-company basis, it would be appropriate to ask CostQuest to make programming changes to perform the calculations. Furthermore, without the services of CostQuest it is impossible to precisely calculate deployment requirements because the costs in the posted data set are rounded to the nearest $5 to protect the confidentiality of the underlying data.

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[3] This assumption was made to simply the analysis but it will not always be accurate because networks are not constructed by census block. Not all customers in a specific census block will be served at the same time. Furthermore, companies replace infrastructure when it no longer provides adequate service; thus the infrastructure in some high cost census blocks may be replaced prior to replacing infrastructure in low cost census blocks.

[4] On average, the capital expenditure cost of each census block in A-CAM is estimated to be 43.3 percent of the total cost of the census block.